



March 19, 2003

Mr. Dale J. Torpey
Chairman
Federal Home Loan Bank of Des Moines
907 Walnut Street
Des Moines, Iowa 50309

RE: Implementation of Federal Home Loan Bank of Des Moines Capital Plan (2003-APP-04)

Dear Mr. Torpey:

On July 10, 2002, the Board of Directors of the Federal Housing Finance Board (Finance Board) approved the capital plan of the Federal Home Loan Bank of Des Moines (Bank) subject to the Bank receiving approvals of its risk assessment procedures and controls and internal market risk model pursuant to 12 C.F.R. § 932.1. In my letter of December 17, 2002, we approved your risk assessment procedures and controls.

We have reviewed the materials that the Bank submitted in support of its request for approval of its market risk model and have held a number of conversations with Bank staff about its risk modeling procedures and assumptions. Given the Bank's current portfolio and modeling capabilities, the Bank models its interest rate and basis risk adequately and takes proper account of the optionality of both its on- and off-balance- sheet instruments. Pursuant to 12 C.F.R. § 932.1, the Finance Board hereby approves the Bank's market risk model.

With this approval of the Bank's market risk model and our December 17, 2002 approval of the Bank's risk assessment procedures and controls, the Bank now may proceed with implementation of its new capital plan.

This approval is based on the information, representations and commitments made by the Bank. Any material change in the information, representations or commitments made by the Bank, or in the Bank's business plan or operations, prior to the Bank's conversion to its new capital plan, would be a cause for us to modify, change or rescind our approval.

Sincerely,

/s/ Stephen M. Cross
Stephen M. Cross
Director
Office of Supervision

cc: Patrick Conway